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October 31, 2005

**VIA HAND DELIVERY**

Ron Jones, Chairman  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, Tennessee 37219


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T.R.A. DOCKET ROOM

Re: Petition of McLeodUSA Telecommunications Services, Inc. for  
Authority to Complete a Proposed Restructuring  
Docket No: 05-00292  
Response to Data Request Number 1

Dear Chairman Jones:

Enclosed you will find the original and thirteen copies of the response of McLeodUSA Telecommunications, Inc. to Data Request Number 1 of the Tennessee Regulatory Authority staff. Please let us know if you need any additional information.

Sincerely,



D. Billye Sanders  
Attorney for McLeodUSA

cc: Jean L. Kiddoo, Esq.  
Brian McDermott, Esq.

Re: Petition of McLeodUSA Telecommunications Services, Inc. for  
Authority to Complete a Proposed Restructuring  
Docket No: 05-00292

**Response of McLeodUSA Telecommunications Services, Inc. to Data**  
**Request No.1 of the Tennessee Regulatory Authority Staff**

1. Have the petitioner filed similar petitions or notices in other states? If so, provide a listing of states and action taken.

**RESPONSE:**

Yes, McLeodUSA has pending applications or petitions before the relevant state public utility commissions in Arizona, California, Delaware, Georgia, Indiana, Maryland, Minnesota, New York, North Carolina, Ohio, Pennsylvania, Tennessee, Texas, Vermont, West Virginia and Wyoming. In addition, McLeodUSA has made the appropriate filings before the relevant state public utility commissions in Alabama, Arkansas, Colorado, Connecticut, District of Columbia, Florida, Idaho, Illinois, Iowa, Kansas, Kentucky, Louisiana, Maine, Massachusetts, Michigan, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, North Dakota, Oklahoma, Oregon, Rhode Island, South Carolina, South Dakota, Utah, Washington, and Wisconsin and anticipates no further action will be necessary in these states.

2. Have the petitioner filed a similar petition with the FCC or other federal agency? If so, list any action taken and the associated file(s) or document number(s). If a schedule to complete the review of your application has been established by any federal agency, provide such with your response.

**RESPONSE:**

Yes, McLeodUSA has filed applications with the FCC international bureau (ITC-T/C-20051020-00424) and wireline competition bureau (WC Docket 05-303). No schedule has yet been established. However, McLeodUSA expects action to be concluded by November 28, 2005.

3. Provide the number of customers that McLeodUSA Telecommunications Services, Inc. (McLeodUSA) currently has in Tennessee.

**RESPONSE:**

McLeodUSA has 54 customers in Tennessee.

4. What telecommunication services will McLeodUSA continue to provide under its current CCN in Tennessee after the restructuring?

**RESPONSE:**

McLeodUSA will continue to provide intrastate interexchange and operator services in Tennessee following the restructuring.

5. Confirm that McLeodUSA will continue to operate under their present CCN(s) issued by the Authority and business license(s) as filed with the Tennessee Secretary of State's Office.

**RESPONSE:**

McLeodUSA will continue to operate under the current CCN issued by the Authority and the business license as filed with the Tennessee Secretary of State's Office.

6. Per the Description of the Restructuring and/or the Plan of Chapter 11 Reorganization of the Petition filed with the Authority on October 20, 2005, provide documentation showing the new and/or proposed capital structure of McLeodUSA's ultimate parent company, McLeodUSA Incorporated, which will result in a change of control of McLeodUSA.

**RESPONSE:**

a. Equity. Under the Plan, all outstanding obligations under the Junior Prepetition Credit Agreement (totaling approximately \$677.3 million plus accrued and unpaid interest as of September 1, 2005) will be converted into New Common Stock of Parent. All existing equity of Parent will be extinguished under the plan, so the *New Common Stock will be the only equity of Parent following consummation of the Plan*.

b. Debt. Under the Plan, all outstanding obligations under the Senior Prepetition Credit Agreement (approximately \$107.3 million as of September 1, 2005) will be exchanged for \$100 million in New Term Loan Notes. In addition, Parent will emerge from Chapter 11 with a revolving credit facility (the "exit" credit facility) of up to \$50 million, with a letter of credit sub facility in an amount not exceeding \$15 million. Accordingly, after the plan, McLeodUSA will have (1) \$100 million in new term loan notes outstanding, and (2) a revolving credit facility of up to \$50 million.

7. After the October 26 data requests were issued, the Staff orally requested a copy of the restructuring plan.

**RESPONSE:**

Because the plan, including exhibits, is over 100 pages long, only one copy of the restructuring plan is attached. An electronic version has been e-mailed to Carlos Black of the TRA Staff at [Carlos.Black@state.tn.us](mailto:Carlos.Black@state.tn.us).